

MOR-1**UNITED STATES BANKRUPTCY COURT**

CASE NAME: Watson Valve Services, LLC
CASE NUMBER: 20-30968
PROPOSED PLAN DATE: Unknown

PETITION DATE: 2/6/2020
DISTRICT OF TEXAS: Southern
DIVISION: Houston

MONTHLY OPERATING REPORT SUMMARY FOR**MARCH 2020**

MONTH	02/01/20-02/29/20	03/01/20-03/31/20				
REVENUES (MOR-6)	0.00	303,797.00	0.00	0.00	0.00	0.00
INCOME BEFORE INT; DEPREC./TAX (MOR-6)	-137,239.75	656.23	0.00	0.00	0.00	0.00
NET INCOME (LOSS) (MOR-6)	-137,239.75	225,656.23	0.00	0.00	0.00	0.00
PAYMENTS TO INSIDERS (MOR-9)	31,662.16	31,665.02	0.00	0.00	0.00	0.00
PAYMENTS TO PROFESSIONALS (MOR-9)	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DISBURSEMENTS (MOR-7)	123,573.97	116,426.28	0.00	0.00	0.00	0.00

The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee

REQUIRED INSURANCE MAINTAINED**AS OF SIGNATURE DATE****EXP.****DATE**

CASUALTY	YES (x) NO ()	<u>11/30/2020</u>
LIABILITY	YES (x) NO ()	<u>11/30/2020</u>
VEHICLE	YES (x) NO ()	<u>11/30/2020</u>
WORKER'S	YES (x) NO ()	<u>11/30/2020</u>
OTHER	YES (x) NO ()	<u>11/30/2020</u>

CIRCLE ONEAre all accounts receivable being collected within terms? Yes NoAre all post-petition liabilities, including taxes, being paid within terms? Yes NoHave any pre-petition liabilities been paid? Yes No

If so, describe _____

Are all funds received being deposited into DIP bank accounts? Yes NoWere any assets disposed of outside the normal course of business? Yes No

If so, describe _____

Are all U.S. Trustee Quarterly Fee Payments current? Yes No

What is the status of your Plan of Reorganization? _____

ATTORNEY NAME: Jarrold Martin
FIRM NAME: McDowell Hetherington LLP
ADDRESS: First City Tower
1001 Fannin Street, Suite 2700
CITY, STATE, ZIP: Houston, TX 77002
TELEPHONE/FAX: 713-333-6036

I certify under penalty of perjury that the following complete
Monthly Operating Report (MOR), consisting of MOR-1 through
MOR-9 plus attachments, is true and correct.

SIGNED X

TITLE: COO

(ORIGINAL SIGNATURE)

Robert White, COO

(PRINT NAME OF SIGNATORY)

DATE Revised 07/01/98

MOR-1

Reservation of Rights: The Debtor reserves all rights to amend or supplement the MOR in all respects, as may be necessary or appropriate, but shall be under no obligation to do so. Nothing contained in this MOR shall constitute a waiver of any of the Debtor's rights or an admission with respect to its Chapter 11.

Some regularly recurring journal entries have not been posted as of 02.29.2020; certain accruals have not been recorded based on the timing (due date) for the reports.

CASE NAME: Watson Valve Services, LLCCASE NUMBER: 20-30968**COMPARATIVE BALANCE SHEETS**

ASSETS	FILING DATE*	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH
CURRENT ASSETS							
Cash	949,195.09	909,604.12	1,931,520.63				
Accounts Receivable, Net	1,018,319.61	287,292.82	193,241.15				
Inventory: Lower of Cost or Market	3,349.00	3,349.00	3,349.00				
Prepaid Expenses FN3	134,605.20	134,605.20	134,605.20				
Deposits FN4	45,360.00	45,360.00	45,360.00				
Investments	0.00	0.00	0.00				
Insurance	29,000,000.00	29,000,000.00	29,000,000.00				
Other FN1	5,000.00	5,000.00	5,000.00				
TOTAL CURRENT ASSETS	31,155,828.90	30,385,211.14	31,313,075.98	0.00	0.00	0.00	0.00
PROPERTY, PLANT & EQUIP. @ COST FN2	64,645.78	64,645.78	64,645.78				
Less Accumulated Depreciation	0.00	0.00	0.00				
NET BOOK VALUE OF PP & E	64,645.78	64,645.78	64,645.78	0.00	0.00	0.00	0.00
OTHER ASSETS							
1.							
2.							
3.							
4.							
TOTAL ASSETS	\$31,220,474.68	\$30,449,856.92	\$31,377,721.76	\$0.00	\$0.00	\$0.00	\$0.00

* Per Schedules and Statement of Affairs

MOR-2

Revised 07/01/98

FN1 Employee Receivable
FN2 Global Shop Solutions ERP Software (\$43,215.27); 2013 Ford F450 (\$21,430.51)
FN3 Prepaid Insurance - AI Thurmond Agency, Inc.
FN4 Equipment Deposit - Dunn's Testing

CASE NAME: Watson Valve Services, LLCCASE NUMBER: 20-30968**COMPARATIVE BALANCE SHEETS**

LIABILITIES & OWNER'S EQUITY	FILING DATE*	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH
LIABILITIES							
POST-PETITION LIABILITIES(MOR-4)	0.00	0.00	188,363.61	0.00	0.00	0.00	0.00
PRE-PETITION LIABILITIES							
Notes Payable - Secured FN2	3,045,500.00	3,045,500.00	3,045,500.00				
Priority Debt - Unsecured FN3	60,964.61	60,964.61	60,964.61				
Federal Income Tax							
FICA/Withholding							
Unsecured Debt FN4 FN5	896,037.08	883,993.28	883,993.28				
Other							
TOTAL PRE-PETITION LIABILITIES	4,002,501.69	3,990,457.89	3,990,457.89	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	4,002,501.69	3,990,457.89	4,178,821.50	0.00	0.00	0.00	0.00
OWNER'S EQUITY (DEFICIT)							
PREFERRED STOCK							
COMMON STOCK							
ADDITIONAL PAID-IN CAPITAL							
RETAINED EARNINGS: Filing Date	27,217,972.99	27,217,972.99	27,217,972.99				
RETAINED EARNINGS: Post Filing Date	0.00	-137,239.75	225,656.23	0.00	0.00	0.00	0.00
RETAINED EARNINGS: Pre / Post Filing Date Adjustments FN1 FN6	0.00	-621,334.21	-244,728.96				
TOTAL OWNER'S EQUITY (NET WORTH)	27,217,972.99	26,459,399.03	27,198,900.26	0.00	0.00	0.00	0.00
TOTAL LIABILITIES & OWNERS EQUITY	\$31,220,474.68	\$30,449,856.92	\$31,377,721.76	\$0.00	\$0.00	\$0.00	\$0.00

* Per Schedules and Statement of Affairs

MOR-3

\$0.00

\$0.00

\$0.00

\$0.00

\$0.00

\$0.00

\$0.00

Revised 07/01/98

FN1 Adjustments such as payment of pre-petition debt, reduction of actual post petition debt, and other general operational adjustments

FN2 Texas Capital Bank Borrowing Base Line of Credit (\$3,000,000.00); Harris County Tax Assessor-Collector (\$45,500.00)

FN3 Texas Comptroller of Public Accounts (\$12,000.00); Accrued PTO (\$48,964.61)

FN4 Significant number Litigation Claims have been filed but the pending amounts are Unknown at this time, thus excluded from the total

FN5 Cash Collateral Budget approved by the court to pay Business Insurance premium - AFCO (\$10,778.80); UFG Insurance (\$1,265.00)

FN6 Ongoing operational adjustments

CASE NAME: Watson Valve Services, LLC
CASE NUMBER: 20-30968

SCHEDULE OF POST-PETITION LIABILITIES

	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH
TRADE ACCOUNTS PAYABLE	0.00	763.92				
TAX PAYABLE						
Federal Payroll Taxes						
State Payroll Taxes						
Ad Valorem Taxes						
Other Taxes						
TOTAL TAXES PAYABLE	0.00	0.00	0.00	0.00	0.00	0.00
SECURED DEBT POST-PETITION						
ACCRUED INTEREST PAYABLE						
ACCRUED PROFESSIONAL FEES*						
OTHER ACCRUED LIABILITIES						
1. McDowell Hetherington LLP FN1	0.00	63,299.69				
2. MACCO Restructuring Group FN1	0.00	124,300.00				
3. US Trustee Fees (Unpaid)	0.00	0.00				
TOTAL POST-PETITION LIABILITIES (MOR-3)	\$0.00	\$188,363.61	\$0.00	\$0.00	\$0.00	\$0.00

*Payment requires Court Approval

MOR-4

Revised 07/01/98

FN1 Aggregated professional / legal fees beyond retainers

CASE NAME: Watson Valve Services, LLC
CASE NUMBER: 20-30968

AGING OF POST-PETITION LIABILITIES
MONTH Mar 2020

DAYS	TOTAL	TRADE ACCOUNTS	FEDERAL TAXES	STATE TAXES	AD VALOREM, OTHER TAXES	OTHER
0-30	300.00	300.00				
31-60	463.92	463.92				
61-90	0.00	0.00				
91+	0.00	0.00				
TOTAL	\$763.92	\$763.92	\$0.00	\$0.00	\$0.00	\$0.00

AGING OF ACCOUNTS RECEIVABLE

MONTH	Feb 2020	Mar 2020				
0-30 DAYS	0.00	144,190.69				
31-60 DAYS	13,717.50	0.00				
61-90 DAYS	264,688.32	13,717.50				
91+ DAYS	8,887.00	35,332.96				
TOTAL	\$287,292.82	\$193,241.15	\$0.00	\$0.00	\$0.00	\$0.00

MOR-5

Revised 07/01/98

CASE NAME: Watson Valve Services, LLCCASE NUMBER: 20-30968

STATEMENT OF INCOME (LOSS)

	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
REVENUES (MOR-1)	0.00	303,797.00					303,797.00
TOTAL COST OF REVENUES	43,385.44	41,794.10					85,179.54
GROSS PROFIT	-43,385.44	262,002.90	0.00	0.00	0.00	0.00	218,617.46
OPERATING EXPENSES:							
Selling & Marketing							0.00
General & Administrative	1,479.98	412.44	0.00	0.00	0.00	0.00	1,892.42
Insiders Compensation	31,662.16	31,665.02	0.00	0.00	0.00	0.00	63,327.18
Payroll & Payroll Taxes	60,640.17	41,405.82					102,045.99
Professional Fees FN2	0.00	124,300.00	0.00	0.00	0.00	0.00	124,300.00
Legal Fees FN2	0.00	63,299.69	0.00	0.00	0.00	0.00	63,299.69
Bank Fees	72.00	263.70					335.70
Other							0.00
TOTAL OPERATING EXPENSES	93,854.31	261,346.67	0.00	0.00	0.00	0.00	355,200.98
INCOME BEFORE INT, DEPR/TAX (MOR-1)	-137,239.75	656.23	0.00	0.00	0.00	0.00	-136,583.52
INTEREST EXPENSE							0.00
DEPRECIATION							0.00
OTHER (INCOME) EXPENSE* FN1		-225,000.00					-225,000.00
OTHER ITEMS**							0.00
TOTAL INT, DEPR & OTHER ITEMS	0.00	-225,000.00	0.00	0.00	0.00	0.00	-225,000.00
NET INCOME BEFORE TAXES	-137,239.75	225,656.23	0.00	0.00	0.00	0.00	88,416.48
FEDERAL INCOME TAXES							0.00
NET INCOME (LOSS) (MOR-1)	(\$137,239.75)	\$225,656.23	\$0.00	\$0.00	\$0.00	\$0.00	\$88,416.48

Accrual Accounting Required, Otherwise Footnote with Explanation.

* Footnote Mandatory.

** Unusual and/or infrequent item(s) outside the ordinary course of business requires footnote.

MOR-6

Revised 07/01/98

FN1 Insurance Payment
FN2 Aggregated professional / legal fees beyond retainers pursuant to MOR-4

CASE NAME: Watson Valve Services, LLCCASE NUMBER: 20-30968

CASH RECEIPTS AND DISBURSEMENTS	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
1. CASH-BEGINNING OF MONTH	\$949,195.09	\$909,604.12	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$949,195.09
RECEIPTS:							
2. CASH SALES							0.00
3. COLLECTION OF ACCOUNTS RECEIVABLE FN3	83,983.00	913,342.79					997,325.79
4. LOANS & ADVANCES (attach list)							0.00
5. SALE OF ASSETS							0.00
6. CONTRIBUTIONS							0.00
7. OTHER (Insurance Payment)		225,000.00					225,000.00
TOTAL RECEIPTS**	83,983.00	1,138,342.79	0.00	0.00	0.00	0.00	1,222,325.79
(Withdrawal) Contribution by Individual Debtor MFR-2*							0.00
DISBURSEMENTS:							
7a. NET PAYROLL							0.00
7b. INSIDER COMPENSATION FN2	31,662.16	31,665.02					63,327.18
8. PAYROLL TAXES PAID							0.00
9. SALES, USE & OTHER TAXES PAID							0.00
10. SECURED/RENTAL/LEASES							0.00
11. UTILITIES & TELEPHONE							0.00
12. INSURANCE	12,043.80	1,265.00					13,308.80
13. INVENTORY PURCHASES							0.00
14. VEHICLE EXPENSES							0.00
15. TRAVEL & ENTERTAINMENT							0.00
16. REPAIRS, MAINTENANCE & SUPPLIES	2,627.09	417.01					3,044.10
17. ADMINISTRATIVE & SELLING	77,240.92	83,079.25					160,320.17
18. PROFESSIONAL FEES							
19. LEGAL FEES							
20. OTHER (attach list)							0.00
TOTAL DISBURSEMENTS FROM OPERATIONS	123,573.97	116,426.28	0.00	0.00	0.00	0.00	240,000.25
19. PROFESSIONAL FEES	0.00						0.00
20. U.S. TRUSTEE FEES	0.00						0.00
21. OTHER REORGANIZATION EXPENSES (attach list)							0.00
TOTAL DISBURSEMENTS**	123,573.97	116,426.28	0.00	0.00	0.00	0.00	240,000.25
22. NET CASH FLOW	-39,590.97	1,021,916.51	0.00	0.00	0.00	0.00	982,325.54
23. CASH - END OF MONTH (MOR-2) FN1	\$909,604.12	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63

MOR-7

* Applies to Individual debtors only

**Numbers for the current month should balance (match)

Revised 07/01/98

RECEIPTS and CHECKS/OTHER DISBURSEMENTS lines on MOR-8

FN1 \$572,241.86 related to AMUR HMP, LLC (Russia) Project --> funds to be returned
FN2 Amended February 2020 Insider Compensation figure thus reducing Administrative and Selling amount
FN3 \$515,494.12: received on behalf of Watson Grinding; Currently in Valves account but will be transferred to Grinding at a later date

CASE NAME: Watson Valve Services, LLCCASE NUMBER: 20-30968

CASH ACCOUNT RECONCILIATION
MONTH OF Mar 2020

BANK NAME	Texas Capital Bank	Texas Capital Bank	Texas Capital Bank	Compass Bank	
ACCOUNT NUMBER	Acct Ending 0552	Acct Ending 4882	Acct Ending 4874	Acct Ending 6583	
ACCOUNT TYPE	OPERATING	PT HUAYUE NICKEL COBALT (CHINA) PROJECT	AMUR HMP, LLC (RUSSIA) PROJECT	OPERATING	TOTAL
BANK BALANCE	1,461,055.24	243,141.59	0.00	227,323.80	1,931,520.63
DEPOSITS IN TRANSIT	0.00	0.00	0.00	0.00	0.00
OUTSTANDING CHECKS	0.00	0.00	0.00	0.00	0.00
ADJUSTED BANK BALANCE	\$1,461,055.24	\$243,141.59	\$0.00	\$227,323.80	\$1,931,520.63
BEGINNING CASH - PER BOOKS	664,098.83	243,141.59	0.00	2,363.70	909,604.12
RECEIPTS* FN2	913,342.79		0.00	225,000.00	1,138,342.79
TRANSFERS BETWEEN ACCOUNTS	0.00	0.00	0.00	0.00	0.00
(WITHDRAWAL) OR CONTRIBUTION BY INDIVIDUAL DEBTOR MFR-2	0.00	0.00	0.00	0.00	0.00
CHECKS/OTHER DISBURSEMENTS*	116,386.38		0.00	39.90	116,426.28
ENDING CASH - PER BOOKS FN1	\$1,461,055.24	\$243,141.59	\$0.00	\$227,323.80	\$1,931,520.63

MOR-8*Numbers should balance (match) TOTAL RECEIPTS an *Revised 07/01/98*

\$0.00

TOTAL DISBURSEMENTS lines on MOR-7

FN1 \$572,241.86: related to AMUR HMP, LLC (Russia) Project --> funds to be returned**FN2** \$515,494.12: received on behalf of Watson Grinding; Currently in Valves account but will be transferred to Grinding at a later date

CASE NAME: Watson Valve Services, LLC
CASE NUMBER: 20-30968

PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U.S. Bankruptcy Code) and the professionals. Also, for insiders, identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary).

INSIDERS: NAME/COMP TYPE	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Feb 2020	Mar 2020				
1. John Watson	11,665.32	11,666.86				
2. Robert White	9,998.42	9,999.22				
3. Jason White	9,998.42	9,998.94				
4.						
5.						
6.						
TOTAL INSIDERS (MOR-1)	\$31,662.16	\$31,665.02	\$0.00	\$0.00	\$0.00	\$0.00

PROFESSIONALS	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Feb 2020	Mar 2020				
1. McDowell Hetherington LLP	0.00	0.00				
2. MACCO Restructuring Group	0.00	0.00				
3.						
4.						
5.						
6.						
TOTAL PROFESSIONALS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

MOR-9

Revised 07/01/98